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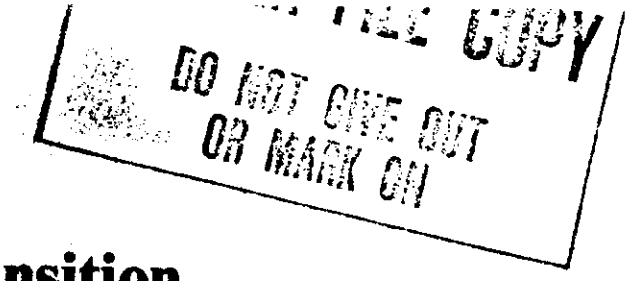

Argentina:
A Troubled Transition

Special National Intelligence Estimate

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SNIE 91-83
3 June 1983

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SNIE 91-83

ARGENTINA: A TROUBLED TRANSITION

Information available as of 20 May 1983 was used in the preparation of this Estimate.

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THIS ESTIMATE IS ISSUED BY THE DIRECTOR OF CENTRAL INTELLIGENCE.

THE NATIONAL FOREIGN INTELLIGENCE BOARD CONCURS.

The following intelligence organizations participated in the preparation of the Estimate:

The Central Intelligence Agency, the Defense Intelligence Agency, the National Security Agency, and the intelligence organization of the Department of State.

Also Participating:

The Assistant Chief of Staff for Intelligence, Department of the Army

The Director of Naval Intelligence, Department of the Navy

The Assistant Chief of Staff, Intelligence, Department of the Air Force

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PREFACE

Politically exhausted and discredited, Argentina's armed forces have promised restoration of civilian rule. The transition, however, is a troubled one. Seemingly intractable economic problems and civilian-military disagreement over sensitive political issues aggravate an inherently unstable situation. Moreover, there is some fear that a civilian government may not be able to survive.

The Peronists, traditionally the country's dominant civilian political force, are expected to win the elections scheduled for October. The Radical Party, however, has a reasonable chance to obtain its first-ever election victory over the followers of the late Juan Peron. In the unlikely event that the transition process is aborted, there could be severe consequences for US interests and bilateral relations with Argentina.

This paper explores the dynamics of the transition to civilian rule, as well as the implications for the United States of a Radical or Peronist victory—or an aborted process.

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KEY JUDGMENTS

The military in Argentina has initiated a transition process that in all likelihood will produce a civilian, constitutional government by 30 January 1984, as promised. The armed forces recognize that they are too discredited to retain power after seven years of rule that have included human rights abuses, economic mismanagement, and loss of the Falklands war. Even if President Bignone were ousted in a palace coup, the transition is not likely to be derailed.

A minority of military officers might like to halt or extend the transition period, but we believe they lack the necessary support in the military and civilian sectors to do so. Any coup attempt would almost certainly be short lived. A coup attempt that is not quickly aborted, however, could trigger intramilitary violence with highly unpredictable results.

Renewed military adventurism with respect to the Falklands would not disrupt the transition. Another full-scale Argentine assault is highly unlikely, and a more limited incident (such as a minor Argentine raid or an accidental sea or air encounter) might rekindle Argentine public passions but probably would not prompt civilian leaders to accept halting or delaying the transition. The armed forces would also be unlikely to use it as a pretext for doing so.

Military-civilian harmony during the transition and after a new civilian government is installed will depend in large part on how several key issues—including corruption, thousands of disappearances during the antiterrorist campaign, and the political conduct of the Falklands war—are handled. Armed forces leaders want to protect themselves against personal or institutional retribution before turning over power. Civilian leaders recognize the sensitivity of these issues but are wary of the political consequences of being perceived as having struck a deal with the military.

The elections on 30 October 1983 will be dominated by two center-left parties—the Peronists and the Radicals. The Peronists are expected to win, but they suffer from serious internal splits because of the lack of a recognized successor to the late strongman Juan Peron. Radical hopes for winning the election lie in a united effort behind Raul Alfonsin—a lawyer who is appealing to the labor sector in an effort to supplement his party's traditional middle class constituency. New voters will

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account for as much as 30 percent of the electorate—a huge electoral imponderable. These new voters form a pool from which Alfonsin must draw support if he is to build his populist coalition.

Most other political parties tend to be small, provincial, and highly personalistic organizations. None threaten the Peronists or Radicals nationally, although some might provide marginal support to the major parties in coalition efforts. Conservative political and economic interests in Argentina lack an effective national party to articulate their views and attract broad support. This critical weakness accounts in part for the historical tendency of conservatives to rely on the military to protect their interests.

Economic problems will almost surely dwarf all other issues facing the new government. In 1982, inflation was about 200 percent, with the trend accelerating; unemployment hovered around 10 to 12 percent, and the foreign debt verged on $40 billion. As the election date approaches, economic policy makers are likely to become increasingly susceptible to pressures for expansionary policies rather than austerity. The government probably will fall short of its IMF targets later this year, but the IMF is unlikely to cut off aid—preferring to work out revised terms with a newly elected government.

A new administration most likely would attempt to broaden its support for economic recovery by incorporating key sectors—organized labor, industry, finance, agriculture—into the policymaking process. Nevertheless, if the victor wins less than a majority, as is likely, it will have great difficulty abandoning the kind of populist, protectionist, and redistributive policies that both parties traditionally have favored. A civilian government also will be somewhat circumscribed by a continuing heavy foreign debt service burden and the policy conditions attached to new lending by the IMF and private foreign banks.

In foreign affairs, either party will continue to press for negotiations with the United Kingdom over the Falklands issue, and to seek better relations with Argentina's neighbors and Nonaligned states. The Argentine-Soviet relationship—which has strengthened considerably since 1980—will remain essentially the same under a civilian government of either party. Buenos Aires will endeavor to maintain and perhaps expand commercial relations with Cuba, the USSR, and Soviet Bloc countries while attempting to minimize the risks of political contamination. Leaders of both parties are anti-Communist, and labor—which is sure to play an important role in the next government—has historically opposed Communism and Soviet expansionism. Military leaders probably will continue to reject Soviet offers to sell major

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weapon systems as long as Argentina retains access to Western arms on acceptable terms.

Bilateral contacts with the United States probably will resume their historical pattern of correct relations, marred by intermittent periods of tension. Under the Peronists, and even more so if Alfonsin becomes president, Argentina is likely to become less supportive of US policies in Central America and more critical of US economic policy in the hemisphere.

The continued preeminence of the Falklands issue for Buenos Aires probably will cause problems with the United States. Argentina's current test of faith is the willingness and ability of the United States to pressure the United Kingdom into negotiations. With this a highly unlikely development in the near future, bilateral tension is nearly assured. In its attempts to drum up Falklands support in international forums, Argentina is likely to trade votes on issues insignificant to Buenos Aires but important to the United States, giving rise to a series of bilateral irritants.

Given a successful transition, US interests are not likely to be threatened directly, although US investment in the petroleum and financial sectors might be exposed to some increased risk. In international affairs, neither a Peronist nor a Radical administration is likely to create threats to US security interests by aligning Argentina with the Soviet Bloc and providing the Soviets with access to its port and base facilities, or by pressing for the development of nuclear weapons. Moreover, a civilian government will be less likely to pursue adventurist military policies that would complicate US relations with the United Kingdom or Chile.

In the unlikely event that the transition were aborted by rightwing forces, US interests would be adversely affected. US condemnation, mandated by US support of democracy in the region and the Argentine transition in particular, would severely strain relations. The repressive tactics such a regime would probably employ would create serious problems over human rights issues. An extremely hostile environment would be created for foreign investment, given the likely termination of the IMF program, mounting economic difficulties, and a stridently nationalist bent in ruling circles. Finally, regional peace might be threatened if a nationalistic regime indulged in saber rattling over the Falklands or the Beagle Channel in an effort to rally domestic support.

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DISCUSSION

The Impetus for Elections

1. Defeat in the Falklands war sealed the political fate of Argentina's military government. The seeds of that demise, however, were sown long before, particularly in the form of economic mismanagement. The Falklands debacle accelerated the move toward restoring civilian rule by undermining the military's prestige and its willingness to retain power in the face of seemingly intractable economic problems and rising political discontent. The postwar declaration by the armed forces that they would cede power to an elected civilian government in early 1984 merely constituted public recognition that they were too discredited to retain power.

Weakness of the Current Regime

2. The fundamental dilemma of the armed forces and the Bignone administration is one of managing a transition from a position of pronounced weakness. With their legitimacy exhausted and their credibility at a post-1976 nadir, the ability of the armed forces to structure a retreat that satisfies their political preferences and protects their institutional interests is questionable. Moreover, President Bignone lacks a personal power base, and this makes him vulnerable and dispensable. Both military and civilian supporters of the transition, however, are willing to retain him because he has identified himself unambiguously with the transition.

3. Military efforts to run the government are complicated by both intraservice and interservice rivalries. The intraservice problem remains but is less critical than it was in the immediate aftermath of the war when discontent in the ranks—especially in the Army—prompted frequent rumors about command shakeups. The selection of new commanders, the retirement of many senior officers in the Navy and the Air Force, and the concentration of efforts on institutional recovery have produced a more settled, although far from quiescent, atmosphere within the individual services.

4. Traditional interservice rivalries and animosities also were exacerbated by the Falklands war. Interservice coordination is slow and inefficient, and unseemly battles between the services almost inevitably surface in the press, further undermining the military's image and credibility. The Army, however, remains the dominant service. It is particularly important, therefore, that Army Commander Nicolaides now appear to be in control of his troops, supportive of Bignone, and committed to a successful transition.

Support for Coup Lacking

5. A large majority of general officers in all three armed services support the transition—or at least are resigned to it—and we have no evidence that the widespread dissatisfaction that led to pressure from the lower ranks for command changes after the Falklands war has been redirected in favor of blocking the transition.

6. Nonetheless, support for prolonged military rule can be found among a minority of officers at all levels. Their varied reasons include:

- Fear that military institutions and individuals will be vulnerable to retribution under a civilian regime.
- Philosophical opposition to a democratic government.
- Expectation on the part of rabid anti-Peronists that the followers of the late Juan Peron will win again.
- Desire to retain the lucrative sinecures in state companies.

7. A coup attempt by a small coterie of disgruntled officers would be unlikely to succeed. Not only would their numbers be insufficient, but other critical elements would be missing, such as a high degree of interservice coordination and a receptive or passive civilian environment. The situation would probably be

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reminiscent of the aborted effort by the Air Force to oust Peron's widow from the presidency in December 1975. Such an incident would have little impact on the military's commitment to the restoration of civilian rule.

3.3(b)(1) 8. Rumors about more broadly based coup attempts persist

Civilian and military support for such plots is lacking, however, and they probably would have little chance of success.

9. Similarly, we do not expect that renewed adventurism with respect to the Falklands would derail the transition. The lack of interservice cooperation and coordination, along with other clear military deficiencies, makes another full-scale assault on the islands highly unlikely. Also unlikely, but more probable, would be a limited incident that might result from an accidental encounter with UK ships or aircraft; a junta-approved action designed to nettle the UK defense forces; or a unilateral action undertaken by a single Argentine service—most likely the Navy. A minor incident of limited military consequence might rekindle Argentine public passions over the Falklands but would not be perceived in civilian circles as sufficient reason to terminate or postpone the transition process. Any hint that the government might use such an incident as a pretext to do so would probably provoke widespread civilian protests.

Key Transition Issues

10. Military reticence about the transition in part reflects anxiety over unresolved issues in which significant military interests—institutional and individual—are at stake. Chief among them is responsibility of the armed forces for abuses committed during the antiterrorist campaign, especially disappearances. Other sensitive matters include the political conduct of the Falklands war, the Beagle Channel dispute, corruption, and economic mismanagement, including the staggering growth of the foreign debt.

11. Armed forces leaders feel vulnerable on these issues and want them dealt with before the turnover of power creates an environment in which public pressure for investigations and punishment would be hard for a civilian government to resist. Potential civilian heirs to the presidency also have an interest in early resolution. Such sensitive issues would threaten to destabilize any new government by provoking almost immediate problems with the armed forces.

The "Disappeared"

12. It is on the "disappeared" issue that the armed forces feel most exposed and least able to compromise. The dimensions of the problem remain unclear. While estimates vary as to the number of persons missing as a result of 1975-79 counterterrorist operations, the fate of perhaps 7,000 to 10,000 people is probably involved. Most of them probably died at the hands of security forces personnel.

13. The prospect of massive, Nuremberg-style retribution triggers military anxieties. Armed forces leaders refuse to apologize for their counterterrorist methods and are committed to protecting their personnel from any sort of judicial processing for alleged abuses. To do otherwise would not only risk internal rebellion but seriously blemish the only outstanding success of post-1976 military goverment—the triumph over terrorism.

14. The junta document on the counterterrorist war released on 28 April was primarily an attempt to calm fears within military ranks about possible future punishment. It was issued amidst an ever-increasing stream of media revelations about abuses and accompanied by an "Institutional Act" apparently intended to assign military courts exclusive jurisdiction over military personnel accused of "dirty war" crimes. Although the junta stated that no further information would be published, the document contained no detailed data on disappearances and little new information on any facet of the war.

15. Predictably, the report was strongly condemned by representatives of all nonmilitary sectors. Moral indignation inspired much of the criticism, but a large

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measure of political opportunism was also present as campaigning politicians benefited from another chance to blast the military for its sins. There remains a strong possibility that the junta will issue an amnesty law before the elections. It will probably be necessitated by a belief within the armed services that the "final" report and "Institutional Act" do not provide adequate protection for personnel who were involved in the counterterrorist effort.

16. Until the last year or so, most civilian political leaders treated the "disappeared" issue with extreme caution, when not avoiding it entirely. It was left to human rights organizations to demand from the armed forces an accounting for those allegedly missing. As the transition process began to unfold, demands for such an accounting became common coinage among critics of the military from political parties, labor unions, the Church, and human rights groups. Most political party spokesmen are still somewhat cautious, however. A position that is appropriately outraged—although vague on solutions—is an essential weapon in the arsenal of any presidential aspirant. A candidate who adopts an inflexible stance, however, could quickly become trapped after he is elected. If he compromises he will lose some measure of civilian support,

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17. The cautious civilian stance probably reflects a fairly accurate assessment of public attitudes. Counterterrorist excesses are not widely condoned. They are perceived, however, as the unavoidable byproduct of a struggle forced on the country by subversives. Most Argentines probably believe that moral imperatives dictate some form of accounting for abuses but not one that would involve a detailed public exposure of events or retribution against numerous military and security officials.

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Corruption and the Falklands War

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19. From the civilian politician's perspective, criticism on these issues is a cheap, effective, and indispensable component of any politician's antimilitary rhetoric. Nothing need be proven. The bad political judgment displayed in the Falklands invasion and in the subsequent failure to negotiate a settlement before humiliating military defeat is obvious. Corruption is taken for granted by a cynical Argentine public. Media revelations involving the alleged misdeeds of prominent military officers are all the more satisfying because of repeated military pretensions to moral superiority.

20. Nevertheless, civilians will be cautious about attacking specific military figures or promising specific and dramatic reprisals that could only serve to sour relations with the armed forces. Criticism of the military has escalated sharply from all quarters during the transition, but military tolerance is finite. The closing of several periodicals and an early February display of junta pique accompanied by threats of legal action reminded the civilians that some restraint was still necessary.

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Prospects

30. The chances that Argentina will reach elections on 30 October and a restoration of civilian rule on 30 January 1984 are perhaps 85 percent at this point. With the election timetable established, momentum in favor of the transition will continue to build through out the year. Elements opposed to elections may become increasingly anxious and desperate as the date approaches, but they will find it increasingly difficult to generate widespread support for stopping a process so near completion. (See inset.)

Implications of a Coup Attempt

While we judge the possibility of a successful coup to be low, a coup attempt that is not swiftly put down could produce several highly undesirable situations. Among them:

— An all-out struggle for control in the armed forces, including violent confrontations, during which the civilians would remain on the sidelines.

— An apparent victory by antielection military sectors that would provoke active and eventually violent civilian resistance.

— In the highly unlikely and *worst case* event, a violent intramilitary clash in which civilian sectors would choose sides, leading to a complete breakdown of law and order.

In all these cases the outcome would be highly unpredictable. Particularly in the worst case, opportunities might be created for the emergence of a new military strongman, for decisive action by well-prepared extremists of the right or left, and for meddling by foreign interests.

Opportunities for Soviet interference would increase given the collapse of law and order, but Moscow's in-country resources would be limited. The Argentine Communist Party (about 50,000 members) has no working-class base and is not violence prone. It repudiated those involved in the subversive violence of the 1970s [redacted] 3.3(b)(1)
[redacted] It is 3.3(b)(1)
viewed as nonthreatening by the military, which excluded the Communists from a 1976 ban on parties advocating the violent

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overthrow of the government. Few of the violence-prone revolutionaries who fled the country in the 1970s have returned to Argentina, and the labor movement's staunch anti-Communism makes it an unlikely Soviet proxy. Perhaps the best Soviet hope, therefore, would lie in the possible emergence of a leftist or reformist military clique from among young officers, something akin to the group that led Peru in the early 1970s. To our knowledge, however, such a group currently does not exist.

31. Argentina's civilians are returning to power by default. The popular mood is clearly antimilitary, but the array of civilian alternatives provokes only limited public enthusiasm. Despite the deaths of the nation's dominating civilian caudillos, Juan Peron and Ricardo Balbin, political parties are offering little that is new in terms of personalities or rhetoric. Thus, there is little to allay the cynicism of an Argentine electorate inured to repeated civilian as well as military failures in government. In 1973, at the close of the previous military government (1966-73), many Argentines entertained hopes that an older and wiser Peron might somehow mold a consensus that would permit political stability and economic growth. The Peronist debacle of 1973-76 smashed those illusions. Today Argentines prefer civilian to military rule, but they view the transition without exaggerated expectation.

Party Politics

32. The contest among political parties for the presidency and control of lesser seats of power will soon begin in earnest, once internal party reorganizations and the process of selecting candidates for the 30 October elections are completed. To date, the political game has been played on two levels. On one level, the contest pits all civilians against the military as all aspirants to office seek to validate their antimilitary credentials. The second level of politicking involves intraparty contests.

33. The antimilitary campaign has been coordinated in part through the Multipartidaria, a five-party coalition that includes the country's two major parties, the Peronists and the Radical Civic Union, along with three small parties. The coalition serves the interests of its members by emphasizing their common opposition to military rule and providing a vehicle for authoritative expressions of dissent. However, the importance of the Multipartidaria has faded in recent months and will continue to do so as the electoral campaign sets the coalition members against one another.

34. At stake in the intraparty battles is control over the reorganized parties and nominations for offices from the presidency down to provincial and local posts. These battles are particularly intense within the Peronist and Radical camps, in part because of the deaths of Peron and Balbin. Personality conflicts and ideological tensions long held in check by their dominating paternalism have been unleashed in the internal struggles in both parties.

Likely Strategies and Outcomes [2]

35. The elections will be a Peronist-Radical affair with the Peronists the favorite if they patch up their internal differences. A united Peronist effort should elicit strong support in traditional Peronist constituencies such as urban labor, small and middle-size business, the bureaucracy, and proponents of strongly nationalist economic and international policies. For good measure, the Peronists will probably work out deals with small parties such as the Movement for Integration and Development, the Popular Conservative Party, and the Christian Democrats. None are important enough to be labeled swing groups, but each could provide marginal support for the Peronist presidential ticket.

36. Radical hopes for defeating the Peronists lie in a united effort behind Raul Alfonsin. He alone among Radical aspirants has the potential to appeal beyond historical Radical constituencies and make a dent in Peronist domination of the labor vote. Alfonsin projects a populist image domestically. His outlook on international affairs is skewed by a pronounced anti-US bias. He views "imperialism" as responsible for many of the hemisphere's economic, social, and political problems and firmly believes Argentina has been victimized by domestic speculators and foreign bankers.

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37. To have a chance, an Alfonsin campaign will have to be extremely well organized and financed. He must court the labor vote in the industrial suburbs of the Federal Capital that fall into the Buenos Aires Province voting area, even though he will surely lose to the Peronists there by a wide margin. He will have to make up the difference in the other three key voting areas, the Federal Capital itself, Cordoba Province, and Santa Fe Province (see map on page 6). It is more important to Alfonsin than to the Peronists to seek extraparty alliances. Dozens of small parties will eventually crowd the ballot, and many will seek a deal, offering to support the Radical or Peronist presidential ticket in exchange for major party support for their provincial slates.

38. Parties on the right and left of the political spectrum cannot mount a serious national challenge to the Peronists and Radicals (see table). Although a conservative coalition was able to capture 15 percent of the vote in the 1973 elections, the absence of a national conservative party to give institutionalized expression to conservative political and economic views remains a critical weakness in Argentina's party system. In the October contests, center-right aspirants will be further handicapped by the support lent to post-1976 military governments by prominent civilian conservatives. The nonviolent left is equally divided and doomed by its inability to shake Peronism's grasp on labor's vote. Revolutionary groups have no constituency, and parties advocating violence are outlawed.

39. If there is a true swing group in the elections, it may be those who have come of age since 1973 and will be voting for the first time. New voters may make up as much as 30 percent of an electorate roughly 18 million strong. It is difficult to gauge the impact of the 1973-76 Peronist period or the ensuing years of military rule and repression on the political perceptions and preferences of new voters. If to this group are added those who have had only one opportunity (1973) to vote in a presidential contest since 1964, the sector of the electorate for which we have no reliable voting history jumps to well over half. The new voter pool may open avenues for Alfonsin and the Radicals in traditional Peronist constituencies, and it should at least increase the "undecided" vote from which Alfonsin must draw to build his new coalition.

40. The presidential contest will be governed by procedures established in the 1853 Constitution—that is, a single vote with an electoral college system. This would appear to favor the party most likely to gain a plurality, the Peronists. At present, an electoral law governing the apportionment of congressional seats has yet to be decreed. Both the Peronists and Radicals favor granting the victorious party an automatic majority in the Congress. The smaller parties, of course, are insisting upon proportional representation formulas.

Stability of an Elected Government

41. The stability of a civilian regime is already a matter of discussion in civilian and military circles. Implicit in the concern being voiced is the fear that any civilian government's chances will be undermined by the absence of fundamental change in the country's political structure, behavior, and attitudes. This concern is well placed, particularly given the difficult, if not crippling, economic situation a civilian administration is likely to inherit.

42. ***Relations With the Military.*** The armed forces will not abandon their self-arrogated mission as the nation's ultimate political arbiter. Under the best of circumstances, they would reconcile themselves to constitutional subordination to civilian authority, and the civilians would avoid gratuitous and demagogic antimilitary rhetoric that would inhibit cooperation with the armed forces after the elections. Neither of these conditions will be fulfilled entirely. However, the stability of the new civilian government will be improved to the degree that they are met.

43. Civilian-military tension will persist, with potential flashpoints in the form of issues that might still be pending such as the "disappeared," corruption, and mismanagement of the Falklands war. Barring an immediate and egregious challenge to military interests, however, the new civilian authorities should enjoy at least a temporary respite from coup pressure. Conspirators will find it difficult to muster support until the civilians have had a chance to succeed. Likewise, given the current level of military disrepute, potential coup plotters will probably see the wisdom of a low military profile for a time while military leaders attend to professional tasks and the resurrection of the military's public image.

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Argentina: The Political Spectrum

	Parties (1983)	Performance in March 1973 Election		Organized Support Groups [a]
		Grouping	Vote (%)	
Right of center	Popular Federalist Forces (FUFEPO)	Conservative coalition headed by Federal Party leader Manrique.	14.9	Argentine Industrial Union (UIA): particular representatives of businesses with international connections and markets Argentine Rural Society
	Confederation of the Republican Center (including Alsogaray's Center Democratic Union).	Three other conservative candidates	5.75	
	Federal Party			
	Democratic Party			
	Conservative Party			
	Progressive Democrats (PDP)–Democratic Socialists (PSD) alliance			
Center to center left	Peronists	Peronist coalition (FREJULI) including MID, PCP, and part of Christian Democrats	49.59	Peronists: vast majority of unionized labor, including CGT-A, CGT-RA, "62 Organizations"; small and medium-size businessmen once represented by defunct General Economic Confederation (CGE)
	Christian Democratic Federation [b]			
	Popular Conservatives (PCP)			
	Movement for Integration and Development (MID)			
	Radicals (UCR)	UCR	21.3	UCR: small minority of organized labor; university students
Left	Intransigent Party (PI)	Coalition headed by PI leader Alende and unofficially including proscribed PCA	7.43	
	Communist Party (PCA)			
	Socialists (several splinters)			
	Popular Leftist Front (FIP)	FIP	0.4	
Radical left	Socialist Workers Party (banned)	Coalition headed by Socialist Workers Party	0.6	No organized in-country support groups.[c]
	Montonero Peronist Movement (banned)			
	Revolutionary Communist Party (banned)			

[a] The elections are too far off to have prompted declarations of support for candidates or parties from most existing organizations or from those that will be founded to assist campaigns.

[b] An uneasy alliance, some factions of which belong closer to the center or center right of the political spectrum.

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44. ***Economic Policy.*** Economic problems will almost surely dwarf all other issues facing the new government as the civilians inherit the military's legacy. Pressure for quick results will be great, perhaps reflecting expectations generated by imprudent campaign promises.

45. Party platforms have yet to be drafted,

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the Radical or Peronist economists. In most cases, their analysis is based on the assumption Argentina is an extraordinarily wealthy country whose potential remains unrealized because of either the unwitting mismanagement of incompetents or, more often, the conspiratorial actions of international interests (Rockefeller, et al.) and their domestic accomplices (Martinez de Hoz, et al.). With free market policies again discredited, they argue, the state must intervene to ensure both economic justice and economic independ-

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ence. There are variations on this theme, reflecting the sophistication, experience, and general political outlook of various proponents. The basic assumptions remain unchanged, however, and will manifest themselves in the policies of a Peronist or Radical administration.

46. The options available to a new administration will depend in part upon the dimensions of the winner's victory margin. A Peronist or Radical government inaugurated after winning less than a majority of the popular vote, as is likely to be the case, will have great difficulty abandoning the kind of populist, protectionist policies which, despite specific variations, both parties favor. There is a small chance that the Peronists might win a majority of the popular vote. The strength of the resulting mandate would open more policy options, and in the past Peronist administrations have implemented austerity programs when forced by economic realities to do so.

47. A civilian government's options will also be somewhat circumscribed by the continuing heavy debt service burden and the policy conditions attached to new lending by the IMF and private foreign banks. These constraints could be circumvented by an indefinite moratorium on all debt principal and interest payments. Such a course, however, would risk default actions by creditors and would cut off Argentina from any foreign credits for some time. We do not believe that economic conditions will be so bad in January 1984 as to make such a dramatic initiative appealing except to an extraordinarily weak civilian government denied access to foreign financial support.

48. The more likely scenario envisions a Radical or Peronist administration entering office on the basis of an electoral plurality and attempting to broaden support for economic recovery by incorporating key sectors—organized labor, industry, finance, agriculture—into the policymaking process. Policy directions are likely to reflect the populist, statist, distributionist tendencies these parties have demonstrated in the past. The current IMF agreement will expire soon after the new government takes office. We would expect that the civilians' effort to negotiate a new agreement might curb somewhat their temptation to rely heavily upon import restrictions, export subsidies, exchange controls, and generally protectionist policies.

49. Neither the Peronists nor the Radicals question the positive role of the domestic private sector or foreign investment "properly" controlled. Nevertheless, foreign financial and petroleum interests will probably take a rhetorical beating in the election campaign and would be the most likely targets for punitive action if a civilian government felt the need to validate its nationalist credentials. Otherwise, the most probable development is a new foreign investment law that would be a compromise between the unrealistic restraints contained in the 1973 Peronist legislation and the very relaxed conditions established by the military since 1976.

50. ***Foreign Affairs.*** In international affairs, the Peronists and Radicals would probably pursue very similar paths:

— Concentration on the Falklands issue with a stance little changed from that of the current government.

— An emphasis upon connections with Nonaligned Movement countries and relations with Latin American neighbors.

— Correct relations with the United States, but with a tendency to adopt the role of critical Latin American spokesmen on matters such as US policy in Central America and US international economic policy.

[redacted] NR

51. Leaders of both major parties are anti-Communist and will be wary of Soviet intentions toward Argentina. Peronists are always quick to point to their historical domination of the labor movement as the key to preventing Communist inroads in Argentina. Elected civilians, along with armed forces leaders, will remain resistant to Soviet offers to sell arms. Only if Argentina is denied access to desired Western arms is the military liable to purchase major Soviet weapon

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systems. The Argentines will, however, continue to "play the Soviet card"—that is, hint at the availability of Soviet weapons in order to broaden their access to Western materiel on acceptable terms.[3]

Implications for the United States

52. US interests in Argentina are not likely to be significantly affected by the installation of a new civilian government whether it be Peronist or Radical. However, private US investment in the petroleum and financial sectors might be exposed to some increased risk, and troublesome differences are likely to arise on some issues.

53. In international affairs and forums, a civilian government's likely policy direction will produce disagreements with the United States, but neither Peronists nor Radicals are liable to create direct threats to US security interests by aligning Argentina with the Soviet Bloc and providing the Soviet military with access to its port and base facilities.

[redacted]

55. Bilateral affairs will probably resume their historical pattern of correct relations, marred by intermittent periods of tension. Policymakers will profess allegiance to Argentina's Western, Christian traditions and acknowledge the need for good relations with the United States. However, Argentine actions will often reflect more immediate concern for gaining support on the Falklands, winning or maintaining commercial advantages, and being perceived as independent from the United States.

[redacted]

3.3(b)(1)

56. Immediate disagreement with the United States, especially if Alfonsin becomes president, is likely to arise over:

— Central America, with Argentina probably assuming a stance similar to that of the Socialist International.

— Hemispheric economic affairs, on which Argentina will probably become a more outspoken critic of alleged US misdeeds.

57. From the US perspective, bilateral relations will be complicated by the lack of leverage with which to influence Argentine policies and policymakers. None of the likely civilian successors will feel particularly obligated toward the United States, and US influence with the Argentine military is likely to remain minimal because of the Falklands war and the prolonged prohibition on US military assistance and sales.

58. The Falklands will remain the crucial issue for Argentina, and there would appear to be little the United States can do to satisfy Argentine desires. US support for resolutions in the UN and OAS in late 1982 improved the acrimonious postwar atmosphere. However, Argentina's new test of faith is the willingness and ability of the United States to pressure the United Kingdom into negotiations. With this a highly unlikely development in the near future, the Falklands issue will continue to be a source of bilateral tension. In the meantime, it will cause peripheral problems as Argentina drums up Falklands support in international forums by trading votes on issues insignificant to Argentina but perhaps important to the United States. Votes running counter to US interests could produce a series of bilateral irritants. 3.3(b)(1)

59. The US ability to influence the lending practices of international financial institutions and US commercial banks provides some leverage over Argentine policymakers. Recognition of this fact tempers anti-US sentiments in some civilian circles, although it is not likely to be a policy determinant on international matters considered important by the Argentines. Perceived US influence in this area can also become a liability should it become necessary to urge compli-

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ance with international obligations on a besieged Argentine Government. Anti-US sentiment could be aroused easily if the United States were portrayed or perceived as the lobbyist of the international bankers, encouraging austerity measures at the expense of the Argentine working class.

60. In the unlikely event that the transition process were aborted by a rightwing military coup, the effect on US interests would be adverse and substantial:

— Bilateral relations would be severely strained by a strongly negative US reaction to termination of the electoral process that would be dictated by US support for democracy in the region and the Argentine transition in particular.

— Repressive tactics likely to be employed by such a regime would probably bring renewed problems over human rights.

— Peace could be threatened because a nationalist government might turn to saber rattling against Chile or the United Kingdom to rally popular support.

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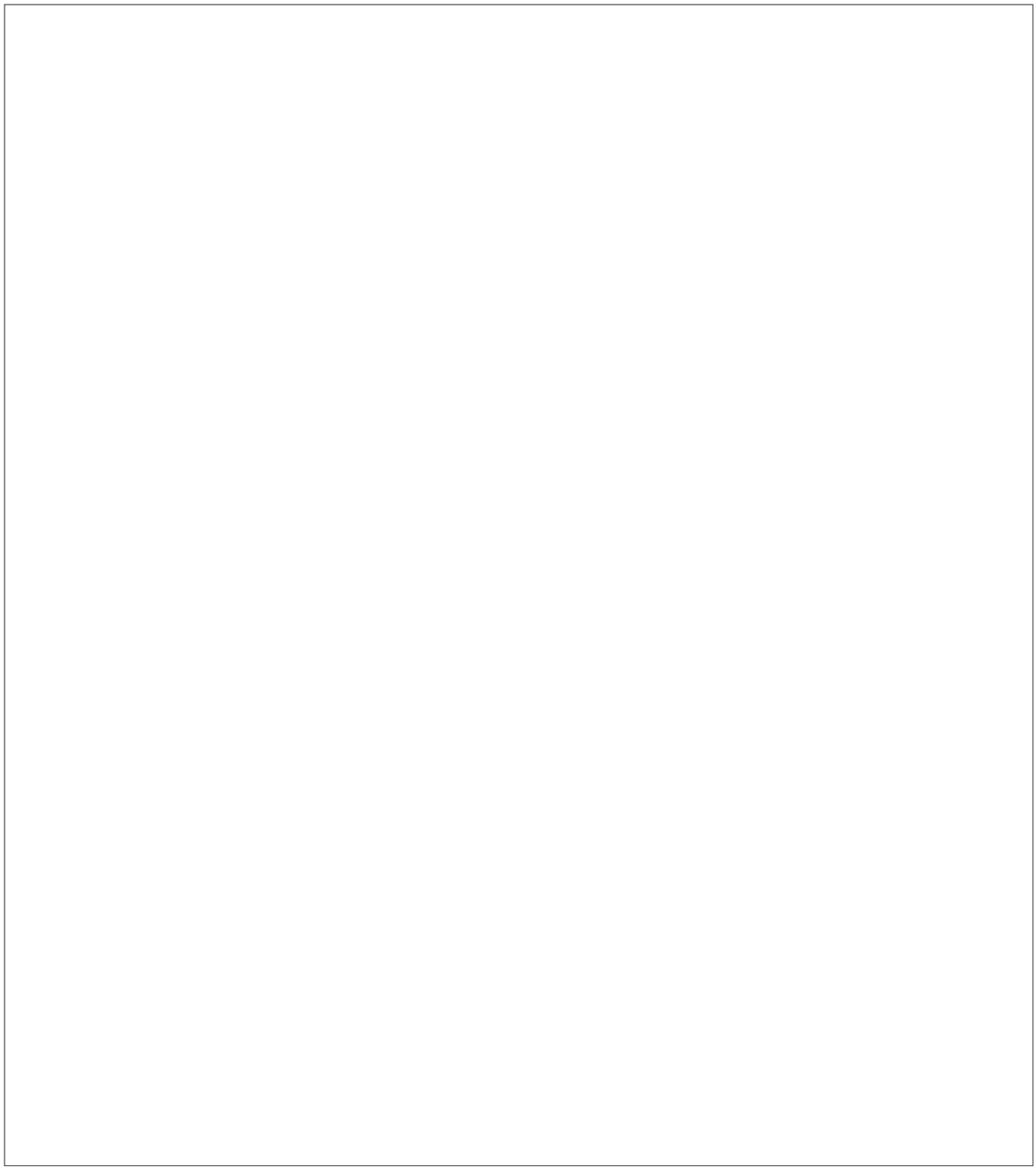

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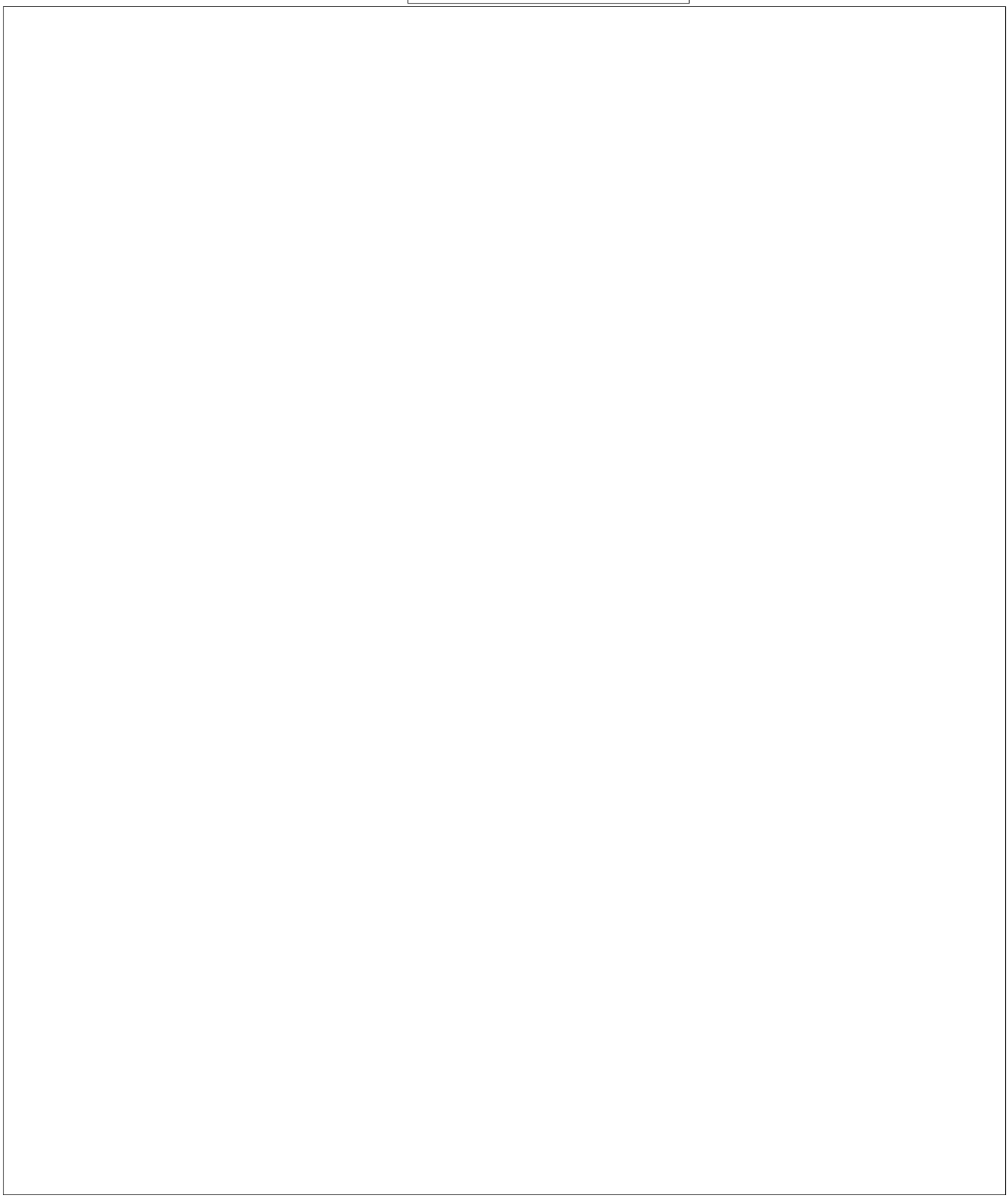

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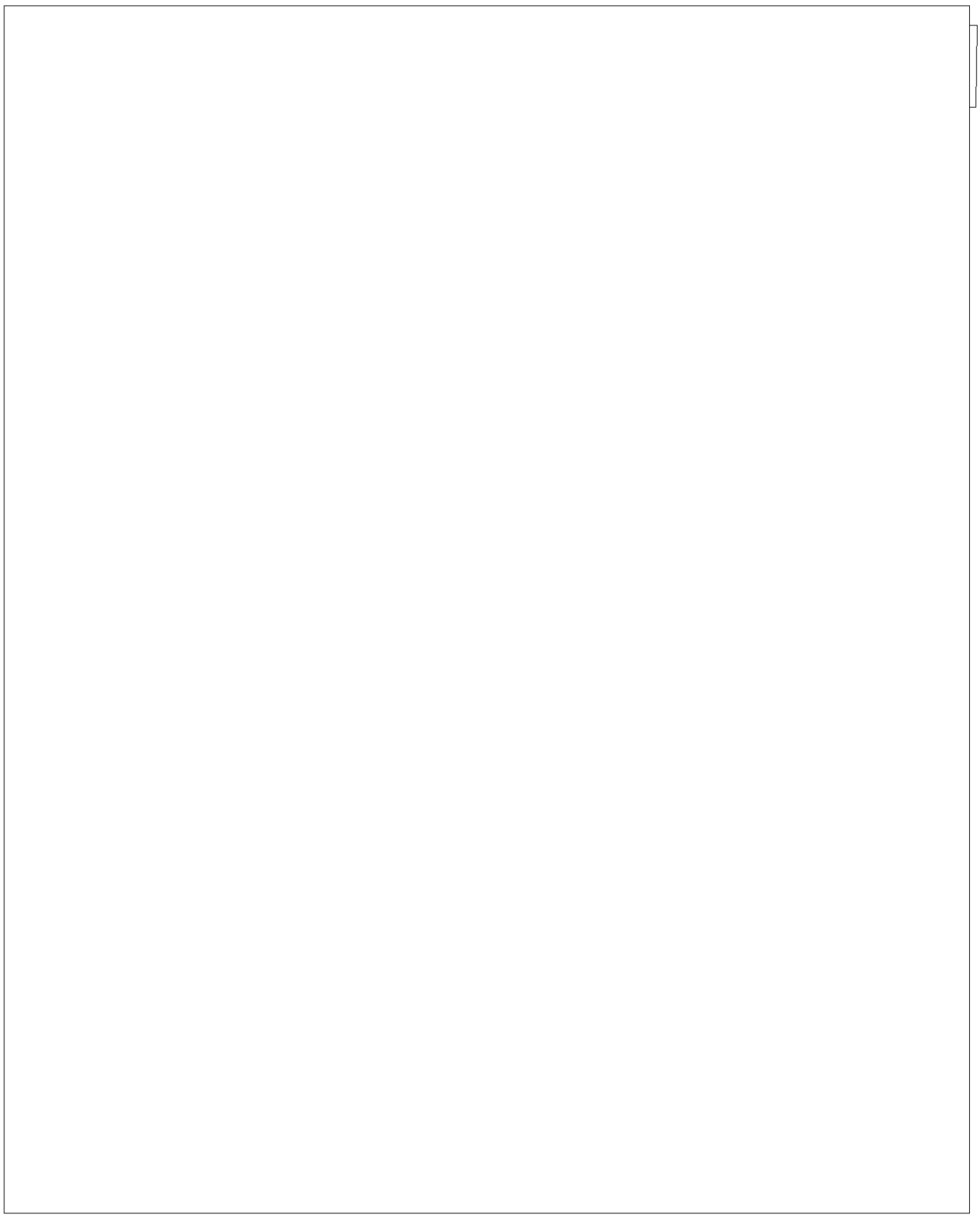

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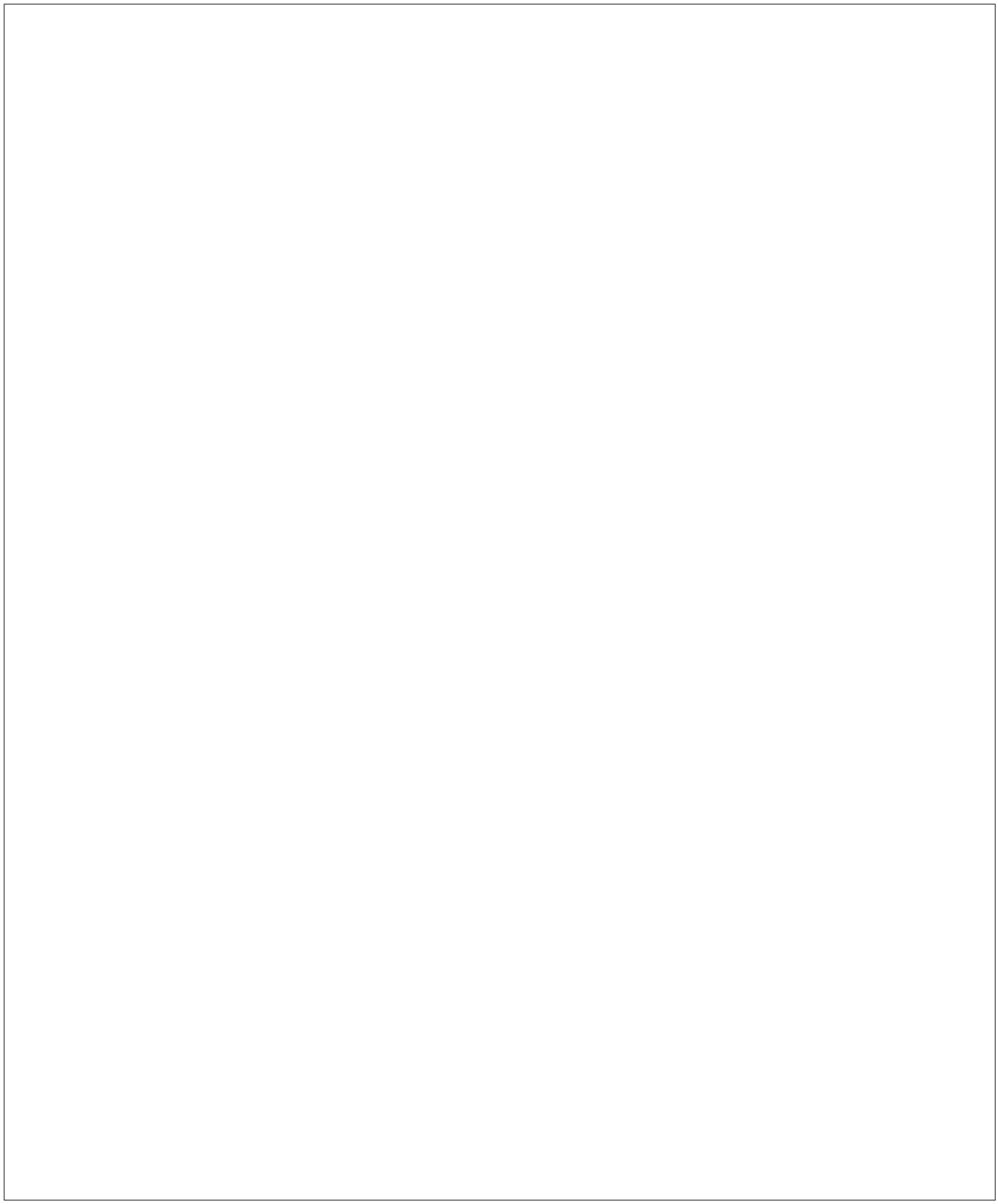

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